



## Bill Draft 2011-TDxz-17: Extend Tax Provisions.

2011-2012 General Assembly

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<b>Committee:</b>	Revenue Laws Study Committee	<b>Date:</b>	May 2, 2012
<b>Introduced by:</b>		<b>Prepared by:</b>	Heather Fennell
<b>Analysis of:</b>	2011-TDxz-17		Committee Counsel

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**SUMMARY:** *The proposed draft extends several tax provisions.*

**BILL ANALYSIS:** It is anticipated that major tax reform will be undertaken during the 2013 session of the General Assembly. This act extends the following provisions in order to maintain the current state of the North Carolina tax code until comprehensive tax reform can be accomplished.

**Section 1:** Extends the tier one designation for seafood industrial parks through July 1, 2013.

**Sections 2-11:** Extends the following tax credits through January 1, 2014:

1. Tax credit for renewable fuel facilities.
2. Tax credit for biodiesel producers.
3. Work opportunity tax credit.
4. Tax credit for renewable energy property facilities.
5. Article 3J tax credits.
6. Tax credit for recycling oyster shells.
7. Tax credit for premiums on long-term care insurance.
8. Refundable earned income tax credit.
9. Tax credit for adoption expenses.
10. Tax credit for qualified business ventures.
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**Section 12:** Extends the following sales tax refunds through January 1, 2014:

- Passenger air carriers
- Machinery and equipment placed in a tier 1 county.
- Aviation fuel for motorsports team of sanctioning body.
- Analytical services.
- Certain industrial facilities.

**EFFECTIVE DATE:** This act is effective when it becomes law.

**BACKGROUND:** Tax credits are considered a mechanism for encouraging and rewarding behavior that is beneficial to the State. Like appropriations, tax credits are expenditures of public funds for the benefit of certain businesses, interest groups, and other taxpayers. However, unlike appropriations, without some limitation, they can continue in perpetuity costing the State millions of dollars without review by the General Assembly. In 1998, the Revenue Laws Study Committee recommended that sunsets be placed on virtually all of the tax credits as a means to review and reevaluate those credits. Periodic review of tax credits allow the General Assembly to consider each credit on its merits to determine whether it continues to serve a public purpose that justifies its cost.

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